PAMOUR PORCUPINE MINES,

LIMITED

ANNUAL REPORT 1981

noranda group

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OF MANAGEMENT
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Common shares issued	7,006,424 —	100%
Common shares registered in the names of:		
— Noranda	3,413,012 —	48.71%
— 1,945 other Canadians .	3,143,738 —	44.87%
— 893 others	449,674 —	6.42%

Pamour Porcupine Mines, one of the Noranda Group of Companies, was incorporated in 1934 under a Federal charter for the purpose of producing gold and other by-product metals from natural mineral deposits. The name Pamour derives from two early prospectors in the Porcupine area of northern Ontario, La Palme, who discovered gold on the property before World War I, and D'Amour, who bought contiguous claims and became his partner.

Production at the No. 1 Mine began in May 1936, with a mill designed to treat 500 tons of ore per day. Since the late 1960's, Pamour has acquired, by purchase or lease the mineral rights and some physical assets associated with a number of former producing mines, including properties still remembered as the "Hallnor", "Aunor", "Delnite", "Buffalo Ankerite", "McIntyre", "Coniaurum", "Hollinger", "Ross", "Porcupine Peninsular", "Gold Hawk", "Young-Davidson", and "Matachewan Consolidated".

Exploration, development, or mining work was continued on most of these properties in 1981. Ores are transported to and treated in two large concentrating plants, the No. 1 and the Schumacher mills, with a combined capacity in excess of 5,500 tons per day.

Pamour operations employ some 1,200 persons and thereby contribute substantially to the support of the Timmins-Porcupine area with its population of 47,740.

PAMOUR PORCUPINE MINES, LIMITED

EXECUTIVE OFFICE ADDRESS:
P.O. BOX 45, COMMERCE COURT WEST
TORONTO, ONTARIO M5L 1B6

DIRECTORS

J. M. Gordon	Saskatoon
J. A. Graham	Omemee, Ontario
J. Conrad Lavigne	Timmins
The Rt. Honourable Roland Michener	Toronto
J. J. Rankin (deceased)	Toronto
D. E. G. Schmitt	Toronto
J. M. Slack	Toronto
A. W. Stollery	Toronto
J. C. White	Toronto

OFFICERS

D. E. G. Schmitt	President
J. M. Gordon	Vice-President and General Manager
B. H. Grose	Secretary
E. K. Cork	Treasurer
D. H. Ford	Comptroller

MINE OFFICE P.O. Bag 2010, Timmins, Ontario P4N 7E7

W. W. Holmes	Area Manager

TRANSFER AGENT AND REGISTRAR:

Canada Permanent Trust Company, Toronto and Montreal

ANNUAL MEETING

April 20, 1982 — 11:30 A.M. (Toronto Time),
Royal York Hotel, Toronto

DIRECTORS' REPORT TO SHAREHOLDERS

This 48th Annual Report includes the financial statements of the Company, the auditors' report and related notes for the year ended December 31, 1981; and information and statistical data about metal markets, operations, development projects and other matters of interest to shareholders.

The year was unsettling in many respects and disappointing. The weakening of our economy and the lower demand for mineral products, in conjunction with high interest rates and rising inflation, have created fundamental problems for many operations and Pamour was no exception.

Income from the operations of our Porcupine mines in 1981 was reduced to $889,000 compared with $13,925,000 in the preceding year, due to lower prices for gold and lower production. Investment income was increased by a gain on sale of some shares which was partially offset by higher interest rates on increased borrowings. The recovery of income and mining taxes provided in previous periods contributed to net earnings of $3,834,000 before the following extraordinary write-off item.

It is particularly disappointing to report that a total of $15,604,000 advanced since August 1979 through Pamour Porcupine Mines Inc. for the development and exploration of our 50% interest in the Ontario Mine Project, Park City, Utah has been written off. It has become increasingly evident that weak markets, declining prices for metals and failure to achieve mine productivity targets during the scheduled pre-production period precludes profitable production at this time. The mineral inventory has not changed significantly, but there are no economic ore reserves at current metal prices. Although an exploration potential remains, production in the next three to five years is unlikely unless metal prices, particularly silver were to rise a significant amount.

It is not possible at this time to determine if any recovery from disposal of the related assets may be made and no recognition of possible recovery has been made in the accounts. Therefore, with this write-down, the results for 1981 become a net loss of $11,770,000 compared to consolidated net earnings of $7,880,000 in 1980.

Dividends of 10¢ and 5¢ per share were paid in March and June respectively, making a total of 15¢ per share for the year. Since April 1980, shareholders who elected to do so have been entitled to receive their dividends in the form of common shares, in lieu of cash. The common shares now issued total 7,006,424, an increase of 1,447 shares during 1981. Since production commenced in May 1936, some $23,730,000 have been paid to shareholders in dividends.

METAL MARKETS

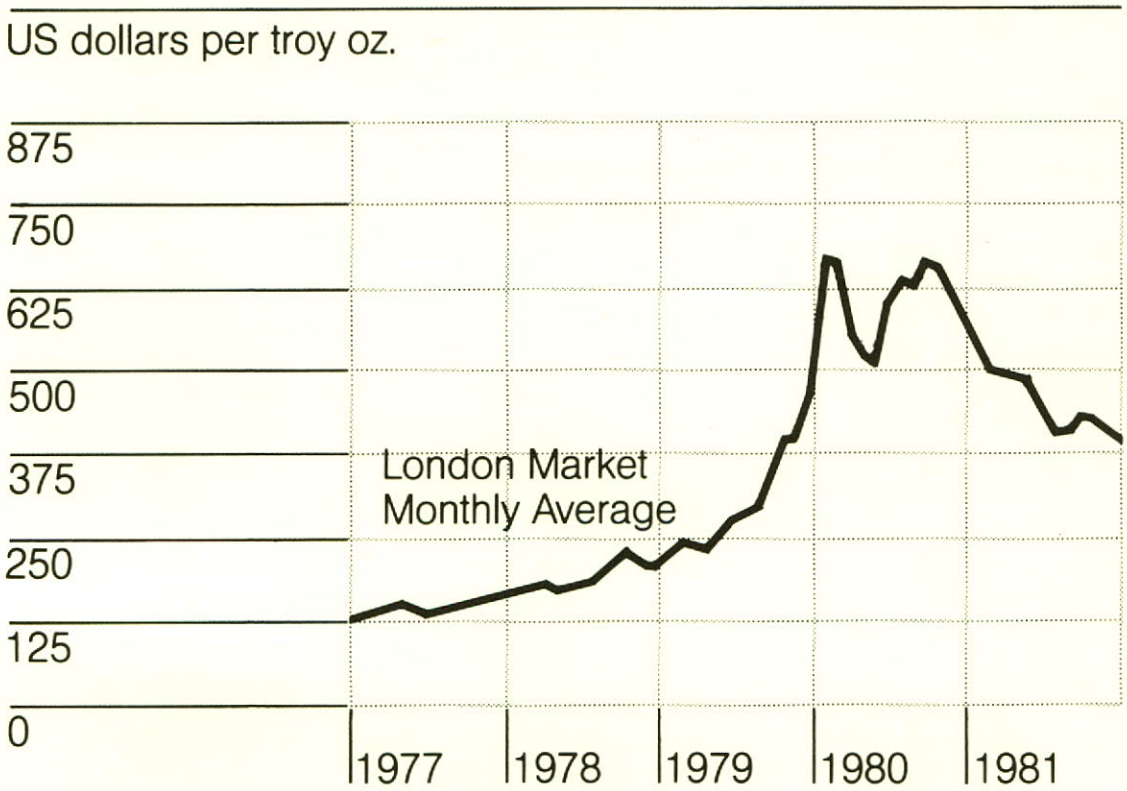
The year saw a decline in prices for gold, silver, and copper.

GOLD

Western World Balance — '000,000 troy ounces

	1979 Year	1980 Year	1981 Est.	1982 Est.
Supply — Mines: Western World	30.9	30.3	30.2	31.9
— Communist Bloc	7.4	2.9	8.0	6.0
— Net Bank: IMF	18.4	(7.4)	(1.5)	(1.0)
Total supply	56.7	25.8	36.7	36.9
Consumption — Industrial	35.9	16.5	19.0	18.3
— Coin	10.4	7.5	9.5	7.6
Total Consumption	46.3	24.0	38.5	25.9
Surplus	10.4	1.8	8.2	11.0

Western world mine production in 1981 was virtually unchanged despite a drop in South Africa of some 500,000 ounces to 21.1 million ounces. Heavier shipments from Russia during the latter part of the year and reduced purchases by central banks increased the supply and more than offset the modest improvement in demand for industrial uses and coinage. Nevertheless, the surplus of supply vs. consumption was approximately as forecast last year. The price fell throughout 1981 (except for a brief recovery in September) from just under U.S. $600 to U.S. $400 per ounce at year end. The Japanese became major buyers and their imports surged to 5 million ounces as compared with one million in 1980. The average London 2nd fix for 1981 was U.S. $459.71 per ounce, compared with U.S. $612.56 the previous year.



SILVER

Western World Balance — '000,000 troy ounces

	1979 Year	1980 Year	1981 Est.	1982 Est.
Supply — Primary	260.8	269.0	270.0	290.0
— Secondary	131.7	270.0	150.0	148.0
— U.S. Stockpile	—	—	2.0	20.0
Total	392.5	539.0	422.0	458.0
Consumption	432.8	380.0	390.0	410.0
Surplus (Deficit)	(40.3)	(159.0)	32.0	48.0

Sharply reduced secondary production reflecting lower price levels resulted in a drop in the 1981 surplus to some 32 million ounces. Nevertheless, the accumulation of excess stocks, along with generally depressed levels of industrial activity, the high cost of carrying speculative positions and a declining gold price all exerted downward pressure as silver prices fell from U.S. $16 to $8 at the year end.

The prospects for a sustained improvement in price levels are not good. The average Handy and Harman price for 1981 was U.S. $10.52 per ounce, compared with U.S. $20.63 the previous year.

OPERATIONS

Timmins — Porcupine Area
— Production — Earnings — Employees

	1977	1978	1979	1980	1981
Ores treated — Pamour '000 tons	1,997	2,000	1,702	1,826	1,758
Metals Produced —					
Gold: ounces	164,267	161,372	136,964	113,809	103,232
Silver: ounces	63,100	71,500	48,300	46,520	44,840
Copper: '000 lbs.	6,185	3,753	3,409	3,808	3,451
Ores treated on a toll basis — tons	—	—	35,319	133,761	147,400
Revenue from production — $000	30,647	40,582	58,278	78,613	64,952
Net earnings — $000	128	5,199	9,553	7,880	(11,770)
Average number of employees	911	977	1,022	1,100	1,278
Wages, salaries and benefits — $000	15,001	17,472	21,584	27,937	34,845
Supplies and services — $000	14,028	14,142	16,717	30,718	36,423

The high average price for gold in 1980 encouraged the continuing treatment of low grade ores into 1981. However, the declining price trend in the first quarter forced suspension of production from the very low grade Timmins surface and Hoyle properties. In general, the production from more than 10 different mining sites was lower in grade than had been anticipated, averaging 0.069 ounce of gold per ton, which was 0.005 ounce of gold per ton lower than the average grade treated in 1980.

With the continuation of low metal prices, it will be necessary to selectively improve the grade of materials treated. Accordingly, the proven mineral reserves have been reduced by 570,000 tons to 3.7 million tons of a grade that should average some 18% higher than that treated in 1981.

The No. 2 Mine continued to produce lower than forecasted grade and since year-end that operation has been suspended. However, at No. 3 Mine, the ore handling facilities in the No. 2 Shaft were refurbished to accommodate the development required to increase the supply of better grade ore from the former Delnite property.

The ore hoisting facilities for underground mine production from the Timmins property were established in the Main Shaft as planned and a supply of higher grade ore from that source can be expected in 1982. Although $11.5 million have been expended for equipment, mining plant and pre-production development on this property, an additional $3 million will be required to bring the project to full production at 800 tons per day by late 1982.

OTHER INTERESTS

Canadian Arrow Mines Limited (46%)

Under an agreement for production from the Hislop Township property, west of the Ross Mine, 156,200 tons averaging 0.056 ounce gold per ton were trucked to the Pamour No. 1 mill for treatment. The grade was lower than had been estimated prior to development of the small open pit in 1980. Further test drilling resulted in redesign of the pit and production of the remaining currently economic reserve will be completed in early 1982.

Canadian Arrow Mines also has a gold prospect in the Dogpaw Lake Area, some 40 miles southeast of Kenora, Ontario, and a 39% interest in Slocan Rambler Mines, a former silver producer near New Denver in the Slocan area of B.C.

Mining Corporation of Canada Limited (25%)

In 1974, Pamour acquired its 25% interest when Mining Corporation was reactivated as a mine services contracting organization to provide geological assessment, engineering evaluation and design; to perform mining development, construction and equipment installation work; and to undertake acquisition, reconditioning, rental and sales of used equipment for mining projects. These services are intended mainly, but not exclusively, to support and supplement the activities of Noranda Group companies.

The Corporation has managed and operated the Joburke Project, some 70 miles west of Timmins, from which 133,500 tons averaging 0.094 ounce of gold per ton were trucked to a Pamour mill for treatment on a toll basis during 1981. That Project was terminated in November after all economic material to 500 feet below surface had been extracted.

Mining Corporation also operated the Camlaren Project which was initiated in 1980 to salvage ore from a former producing gold mine on an island in Gordon Lake, 50 air miles east of Yellowknife in the Northwest Territories. This Project was completed in 1981 with the extraction of 39,700 tons averaging 0.46 ounce of gold per ton which were treated in a portable mill at the site. The concentrate from the mill was shipped to Pamour for refining in Timmins and sale of the bullion. Because of production delays in 1980 and substantially lower grade than had been anticipated, rising costs and the declining price for gold, this Project failed to recover the pre-production costs.

Ontario Mine Project — Park City, Utah, U.S.A. (50%)

In 1979 it was agreed that Noranda Mining Inc. and Pamour Porcupine Mines Inc., in partnership, would bring this former mine producer of silver, lead and zinc to production by the end of 1981 at the mill treatment capacity of 750 tons of ore per day.

First production was obtained in the latter half of 1980 but by May 1981 it became apparent that low productivity, affected by poor ground and water drainage problems would preclude a profitable result as metal prices declined and markets weakened. The workforce was reduced substantially and efforts were directed to the completion of primary development for more efficient ore handling, and to exploration for higher grade targets.

Deepening of the Ontario No. 3 Shaft was completed to the 2,400 level and the haulage transfer drift from No. 6 Shaft was advanced to within 420 feet of the No. 3 Shaft connection.

Extensive drilling in recent months did not change the mineral inventory which, with 20% dilution at nil grade, contains:

	Tons (000)	Ag-opt.	% Pb	% Zn
Proven	631	4.5	5.1	8.9
Probable	1561	3.1	5.1	6.9
Possible	1093	4.1	5.9	6.5

Four specific targets have been recommended for continuing exploration. However, under current financial circumstances — even with exploration success, it is unlikely that production could be justified within the next three to five years. All work has been suspended and equipment is being removed from the mine.

OUTLOOK

Again, the production of gold from our mines in the Porcupine Area was substantially lower than in the preceding year. The high and rising prices for our principal product during 1979 and 1980 had suggested that a high throughput of low grade material with the economies of scale would profitably maximize the economic utilization of a natural resource. In 1981, more than 17 tons of our mineral inventory were treated to produce each ounce of gold. Even so, the net revenue was insufficient to adequately support the exploration necessary to replace and improve the quality of that inventory while financing the development of new projects.

The proven mineral inventory was depleted by some 573,000 tons to maintain the average inventory grade of 0.082 ounce of gold per ton. The probable inventory was also reduced by 644,000 tons, thereby improving the grade to 0.094 ounce of gold per ton. However, the total proven, probable and possible mineral inventory is still in the order of five years of supply for the mills, and the prospects for producing an ounce of gold from the treatment of less than 13 tons of ore are realistic.

The inventory is largely within four established and active underground mines and the Timmins underground project (former Hollinger mine). The latter is now sufficiently equipped and developed to begin supplying a small but increasing tonnage of better than average grade material on a regular basis. The extensive acreage of mineral rights (more than 20,000 acres in the proximity of current and former gold producing mines) has the potential for additional extension and discoveries which are the targets for an active and capable exploration staff.

The viable extraction of mineral resources has always been a high risk business. The profitable production of gold, because of its extremely erratic distribution in the hard rock formations of the Porcupine Area, has been a particularly high risk challenge.

With more than 45 years of continuous production without any significant work interruption for any reason, Pamour has good reason to maintain its reputation for strength in the face of adversity. With a loyal and competent workforce and a viable mineral inventory, a strong and determined management will again make the necessary adjustments to plan and take the appropriate steps for continuation through another period of uncertainty.

It will be necessary to suspend or terminate unprofitable sectors of current operations. The workforce will be reduced, transferred or re-assigned to achieve the necessary improvements in performance — specifically in terms of product per manshift worked.

We recognize the many ways in which employees have cooperated in responding to the objectives of a modular training system designed to introduce new recruits safely to their respective roles and responsibilities and to upgrade their skills to high standards of

accomplishment. The Employees Profit Sharing Plan has generated a realistic involvement in the risks of the business and personal concern for the profitable result of our operations. We believe that the qualifications, capabilities and pride of our people can surmount the difficult circumstances of the year ahead.

In the past year, we have experienced the loss of two particularly supportive associates. Mr. A. A. Adamson retired from his post as Assistant General Manager last March after long and dedicated service to the Schumacher Division, beginning with his first employment there in 1941. His subsequent sudden death in July was a shock to all of us. In January 1982, Mr. J. J. Rankin, a Director of Pamour since 1973 and a leading figure in Canadian prospecting and mine development, died suddenly while on vacation in Florida. We have lost two senior and truly good friends; we honour their memory and acknowledge their considerable contributions to Pamour over the years.

Again, it is a pleasure to express appreciation and thanks to all employees and to those associates within the Noranda Group who have provided support, counsel and direction to the continuation of our operations. Their loyal and willing cooperation has been invaluable and gives us the strength to face the future.

On Behalf of the Board

D. E. G. Schmitt
President.

Toronto, Ontario
February 22, 1982

GENERAL MANAGER'S REPORT TO THE DIRECTORS

Exploration and Development

Field exploration activities were reduced with greater emphasis on extending working property mineral inventories. Work in the Matachewan area included geophysical examination and mapping, with further trenching on surface mineralized zones.

Operations at the Timmins surface and Hoyle properties were suspended early in the year due to low grades. Stripping of overburden and bulk sampling from trenching at the Westfield property east of Schumacher indicated only narrow non-economic vein systems.

Lower than expected gold values from the Canadian Arrow operation necessitated redesign of the pit, and a consequent reduction in mineral inventory. Surface mining will cease in the spring.

At the Ross Mine, exploration on the upper levels was encouraging. Diamond drilling below the 3,150 level indicated a downtrend extension of the ore zones. Shaft deepening would be required to pursue this.

There was a 16% increase in diamond drilling footages at the major working mine sites and a 48% increase in primary development drifting and raising, as compared with the 1980 statistics.

Mineral Inventory

Proven reserves declined 13% to 3,735,000 tons averaging 0.082 ounce of gold per ton, with copper grades at the Schumacher and Ross mines averaging 0.47% and 0.12% respectively. The additional mineral inventory in the probable and possible categories amounts to some 7.26 million tons at a similar gold grade and includes 1.57 million tons of copper-bearing material. The major variance is a reduction from the previous year in the copper mineral inventory at Schumacher of some 4.4 million tons due to lower metal prices.

Mining and Milling

The total tonnage of ores mined was 67,650 or 3.7% less than in 1980 due to the suspension of production from the Timmins surface and Hoyle properties. The total tonnage treated in the two mills, including 147,400 tons from other shippers on a toll basis, was 1,905,836 or just 2.7% less than in 1980. Mill recoveries were affected downward by the average lower grades of the ores treated.

The No. 2 Mine did not achieve its expected potential. Excessive dilution and low productivity contributed to the disappointing result.

The most significant new project was the construction of surface facilities for the Timmins underground mine and refurbishing of the Main shaft. Some 1,720 feet of raise and lateral development and 375 feet of stope preparation were accomplished to prepare for production. The project was on schedule and within budget. The No. 2 shaft and headframe at the No. 3 Mine were also refurbished during the last half of the year to provide more efficient access to additional mineral inventory from the upper levels of the former Delnite property.

General

The workforce was relatively stable through the year and the decline in productivity was due to increased primary development and the allocation of some 150 employees to the Timmins Project.

Injury frequency increased from eight to 11 per million man-hours worked, as compared to 15 for all Ontario gold mines in 1981.

Modular training for underground employees at the properties was continued and extended to include plant department employees. Three experienced miners received Underground Hard Rock Miners' Certificates and were among the first to be recognized in Ontario with the new accreditation of their high level of skill as miners.

I wish to express my appreciation to the mine management and employees at the properties for their efforts and cooperation in difficult and trying times.

J. M. Gordon
General Manager.

Toronto, Ontario
February 21, 1982

Pamour Porcupine Mines, Limited

PRODUCTION STATISTICS, DEVELOPMENT AND PROVEN MINERAL INVENTORY FOR YEAR 1981

Mines and Mill Sites		No. 1 (Mill)	No. 2	No. 3	Schumacher (Mill)	Ross	Arrow	Matach-ewan	Others (Timmins Hoyle)	Totals 1981	Totals 1980
Ores milled — tons	(000)	578.8	46.7	86.2	539.6	210.7	156.2	38.2	102.0	1,758.4	1,826.1
Average rate per day	— tons	1,586	128	236	1,478	577	428	105	279	4,818	5,003
Ore grade											
Gold	— oz/ton	0.074	0.053	0.121	0.055	0.095	0.056	0.063	0.044	0.069	0.074
Copper	— %	—	—	—	0.332	0.144	—	—	—	0.119	0.118
Gold in bullion & concentrate	— oz.	37,583	2,187	8,979	24,543	16,432	7,652	2,105	3,751	103,232	113,809
Copper in concentrate	— tons	—	—	—	1,510.6	214.8	—	—	—	1,725.4	1,904.0
Silver in bullion and concentrate	— oz.	—	—	—	25,568	19,271	—	—	—	44,839	46,520
Recoveries											
Gold	— %	88.0	—	—	82.6	—	—	—	—	85.3	87.3
Copper	— %	—	—	—	82.4	—	—	—	—	82.4	82.2
Employees at year end	— No.	393	54	105	462	82	17	1	154	1,268	1,278
Productivity — per manshift	— tons	6.2	3.6	3.5	3.2	8.1	36.8	79.0	—	5.2	5.7
Development — drifts and raises	— ft.	5,051	657	991	3,032	2,022	—	—	1,718	13,471	9,024
Stope preparation	— ft.	13,978	2,736	1,946	5,117	2,046	—	—	374	26,197	29,652
Diamond drilling	— ft.	42,959	7,408	19,604	37,897	23,473	3,034	705	18,017	153,097	128,340

Proven Mineral Inventory at December 31, 1981 Mine sites		No. 1	No. 2	No. 3	Schumacher Gold	Schumacher Copper	Ross	Arrow	Timmins Under-ground	Totals 1981	Totals 1980
Tons	— (000)	1,282	50	248	196	975	591	101	292	3,735	4,308
Grade — gold	— oz/ton	0.081	0.098	0.150	0.130	0.031	0.104	0.058	0.124	0.082	0.082
Grade — copper	— %	—	—	—	—	0.47	0.12	—	—	0.14	0.21

PAMOUR PORCUPINE

(Incorporated unde

CONSOLIDATED BALANCE SHEET

ASSETS

	1981	1980
	(in thousands)	
	$	$
Current Assets		
Cash	**248**	16
Bullion and concentrates	**9,878**	20,621
Accounts receivable	**145**	561
Stores — at cost	**4,316**	4,280
Prepaid expenses and deposits	**335**	319
	14,922	25,797
Investments (note 3)	**11,424**	9,649
Fixed Assets		
Plant, buildings, equipment and townsite — at cost	**24,121**	20,399
Accumulated depreciation	**11,195**	9,907
	12,926	10,492
Mine properties — at cost, less amortization	**275**	365
Deferred development — at cost, less amounts written off	**5,268**	8,627
	18,469	19,484
	44,815	54,930

AUDITORS' REPORT TO

We have examined the consolidated balance sheet of Pamour Porcupine Mines, Limited as at December 31, 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

MINES, LIMITED

the laws of Canada)

AS AT DECEMBER 31, 1981

LIABILITIES

	1981	1980
	(in thousands)	
	$	$
Current Liabilities		
Accounts payable	**8,105**	10,881
Loan payable — unsecured (note 4)	**7,187**	—
Due to associated companies	**11,155**	5,251
Income and production taxes payable	**84**	10,191
Notes payable — current portion	**—**	597
	26,531	26,920
Taxes Provided Not Currently Payable	**5,688**	2,019
Notes Payable — Long-Term	**—**	597
Provision for Redundancy	**1,080**	1,080

SHAREHOLDERS' EQUITY

Capital Stock (note 5)		
Authorized —		
Unlimited number of common shares without nominal or par value		
Issued and fully paid —		
7,006,424 common shares (1980 — 7,004,977)	**8,492**	8,469
Retained Earnings	**3,024**	15,845
	11,516	24,314
	44,815	54,930

SIGNED ON BEHALF OF THE BOARD

The Rt. Honourable Roland Michener
Director

D. E. G. Schmitt
Director

THE SHAREHOLDERS

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 17, 1982
Toronto, Canada

Coopers & Lybrand
Chartered Accountants

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	(in thousands; except per share data)	
	$	$
Revenue		
Gross value of bullion and concentrates produced	**68,604**	81,330
Less: Treatment and marketing costs	**2,817**	2,942
	65,787	78,388
Expenses		
Cost of production	**57,271**	54,051
Royalties	**934**	2,930
Administrative expenses	**524**	431
Depreciation and amortization	**1,949**	2,167
Exploration and development	**4,395**	3,580
Provision for employees deferred profit sharing plan	**42**	2,100
	65,115	65,259
Earnings from Operations	**672**	13,129
Investment Income (expense)		
Gain on sale of investments	**2,721**	—
Dividends from associated companies	**1,363**	1,147
Share of earnings in associated company	**165**	229
Other dividends	**11**	12
Interest	**(1,510)**	816
	2,750	2,204
Earnings Before Taxes and Extraordinary Item	**3,422**	15,333
Provision for (Recovery of) Income and Production Taxes	**(412)**	7,453
Earnings Before Extraordinary Item	**3,834**	7,880
Extraordinary Item — Ontario Mine Project — Park City, Utah (note 6)	**(15,604)**	—
Net Earnings (Loss) for the Year	**(11,770)**	7,880
Earnings Per Share — Before Extraordinary Item	**$ .55**	$1.12
Earnings (Loss) Per Share — After Extraordinary Item	**$(1.68)**	$1.12

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	(in thousands)	
	$	$
Balance — Beginning of Year	**15,845**	12,166
Net earnings (loss) for the Year	**(11,770)**	7,880
	4,075	20,046
Dividends, including stock dividends of $23,000 (1980 - $81,000) (note 5)	**1,051**	4,201
Balance — End of Year	**3,024**	15,845

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	(in thousands)	
	$	$
Source of Funds		
Provided from Operations		
Earnings before extraordinary item	**3,834**	7,880
Items not affecting working capital —		
Depreciation and amortization	**1,949**	2,167
Earnings of associated company	**(165)**	(229)
Gain on sale of investments	**(2,721)**	—
Deferred income and production taxes	**3,669**	215
	6,566	10,033
Provision for redundancy reclassified to long-term	**—**	1,080
Proceeds on sale of investments	**3,354**	—
Sale of fixed assets	**157**	116
Extraordinary item — Ontario Mine Project — Park City, Utah (note 6)	**874**	—
	10,951	11,229
Application of Funds		
Investment in associated companies	**2,245**	1,554
Advance to associated company	**—**	354
Cash dividends	**1,028**	4,120
Deferred development	**10,117**	7,231
Additions to fixed assets and mining properties	**7,450**	5,565
Reduction of notes payable	**597**	571
	21,437	19,395
Decrease in Working Capital	**(10,486)**	(8,166)
Working Capital (Deficiency) — Beginning of Year	**(1,123)**	7,043
Working Capital (Deficiency) — End of Year	**(11,609)**	(1,123)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1981

1. Accounting Policies

(a) Basis of consolidation

Effective December 31, 1981, the investment in Pamour Porcupine Mines, Inc. ("Pamour Inc."), the company's wholly-owned subsidiary, was written off (note 6). Accordingly, the balance sheet at December 31, 1981 has been presented on a non-consolidated basis. The remaining financial statements presented herein and the financial statements for the year ended December 31, 1980, which have been included for comparative purposes, are presented on a consolidated basis. Because Pamour Inc. was in the development stage, its operations had no impact on reported earnings.

(b) Translation of foreign currencies

Foreign currency assets and liabilities of the company and its subsidiaries are translated into Canadian dollars as follows:

Current assets and current liabilities — at exchange rates prevailing at the end of the year;

Fixed assets and long-term debt — on the basis of historic rates of exchange.

(c) Bullion and concentrates

The company records as revenue the estimated realizable value of bullion and concentrates awaiting settlement, in transit and on hand.

(d) Depreciation and amortization

Depreciation of plant, buildings, equipment and townsite, and amortization of mine properties are provided at rates designed to write off the capital costs associated with each mine over its estimated productive life. Generally the straight-line method is used. Development expenditures are written off as incurred except where they represent start-up costs on major new projects. These development expenditures are deferred until the properties are brought into production, at which time they will be amortized on a unit of production basis, or until the properties are abandoned, at which time they will be written off.

(e) Investments

Investments in companies in which the company has significant influence are accounted for by the equity method. All other investments are carried at cost.

(f) Income Taxes

Under the income tax laws, some costs and revenues are included in taxable income in years which are earlier or later than those in which they are included in income reported in the financial statements. As a result of these timing differences, income taxes currently payable will differ from the provisions for taxes charged to earnings. The difference is shown in the consolidated balance sheet as taxes provided not currently payable.

Potential tax savings arising from losses incurred and investment tax credits are not reflected in earnings in the year they arise unless there is virtual certainty that they will be realized.

2. Recovery of Costs

Included in fixed assets are buildings, equipment and deferred development costs in the amount of approximately $11,548,000 which represent start-up costs incurred to December 31, 1981 on a major new project in the Timmins area that is about to commence production. The recovery of these costs is dependent upon the continuance of market prices over the life of the project at levels which are sufficient to justify production.

3. Investments

	1981	1980
	$	$
Shares in associated companies — at cost (quoted market value — $24,118,358; 1980 — $33,725,000)	9,610,000	8,000,000
Shares in and advances to an associated company — at cost, adjusted by the company's equity in income or losses since the date of investment	1,339,000	1,174,000
Other shares — at cost (quoted market value — $257,000; 1980 — $363,000)	475,000	475,000
	11,424,000	9,649,000

4. Loan Payable

During the year, the company borrowed 15,000 ounces of gold through an associated company with a value of approximately $7,181,000 (U.S. $6,077,500). Under the terms of the loan, the gold is to be repaid on or before June 30, 1982 unless extended.

5. Capital Stock

During the year the company issued 1,477 common shares by stock dividend for approximately $23,000 (1980 — 4,977 shares for approximately $81,000).

6. Extraordinary Item — Ontario Mine Project — Park City, Utah

At current metal prices and estimated costs of production, the mineral inventory of the Ontario Mine Project in Park City, Utah, U.S.A. which is held by Pamour Inc. through its 50% interest in a partnership cannot be produced economically in the forseeable future. Accordingly, the company's investment in Pamour Inc., primarily representing accumulated expenditures on the Project to December 31, 1981, has been written off and the assets and liabilities of Pamour Inc., which include a working capital deficiency of $874,000, have not been consolidated (note 1(a)).

It is not possible at this time to determine what recovery, if any, may be made from disposition of the related assets and no recognition of such possible recovery has been made in these financial statements.

7. Related Party Transactions

During the year, the company purchased approximately $7.2 million (1980 — $8.4 million) of processing and other services, production supplies and fixed assets from associated companies.

In addition, the company provided $710,000 (1980 — $531,000) of milling services to an associated company. The company has entered into a sales agency agreement under which Noranda Sales Corporation Limited sells all the company's mine products. For this service, the company paid $16,000 (1980 — $15,000) during the year.

Noranda Mines Limited acts as manager and provides technical assistance and services to the company. During the year $326,000 (1980 — $247,000) was paid to reimburse Noranda Mines Limited for these services.

The company participates with various associated companies in a short term investment pool. At year-end, the company was indebted through this pool to associated companies to the extent of $10,550,000 (1980 — $4,555,000). Interest is charged or credited at market rates.

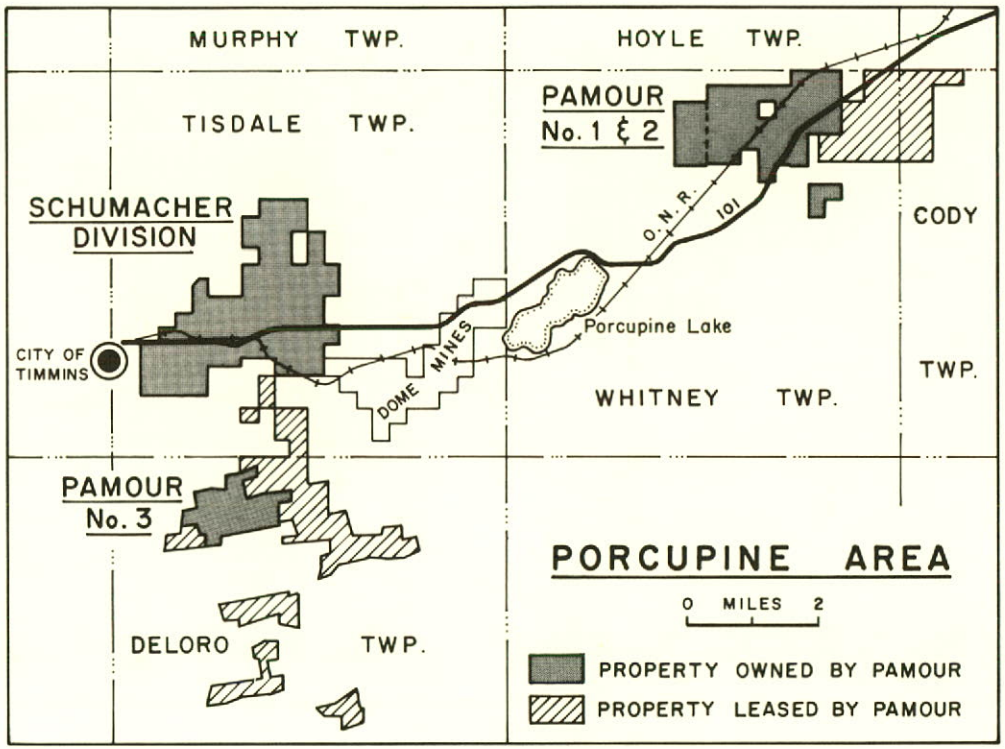
Under the terms of an agreement the company has advanced $851,000 to an associated company, Mining Corporation Limited, as at December 31, 1981. Interest is charged annually on the outstanding balance.

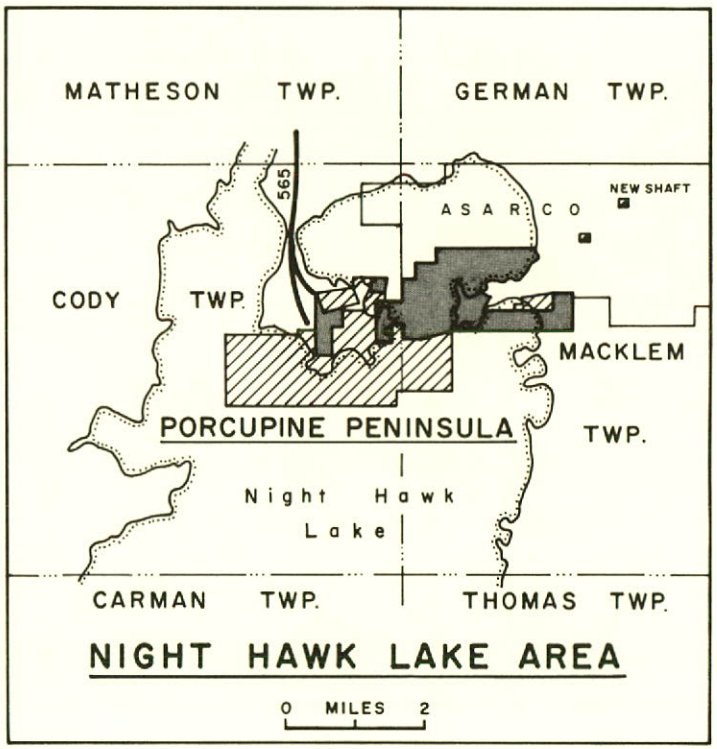
8. Segmented Information

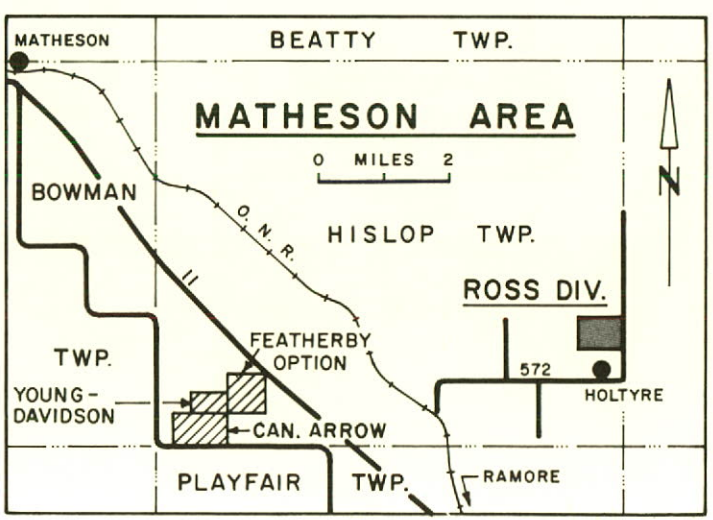
The company operates in what is considered to be a single industry, principally mining for gold and other metals. Its products are sold mainly in Canada.

9. Capital Commitments

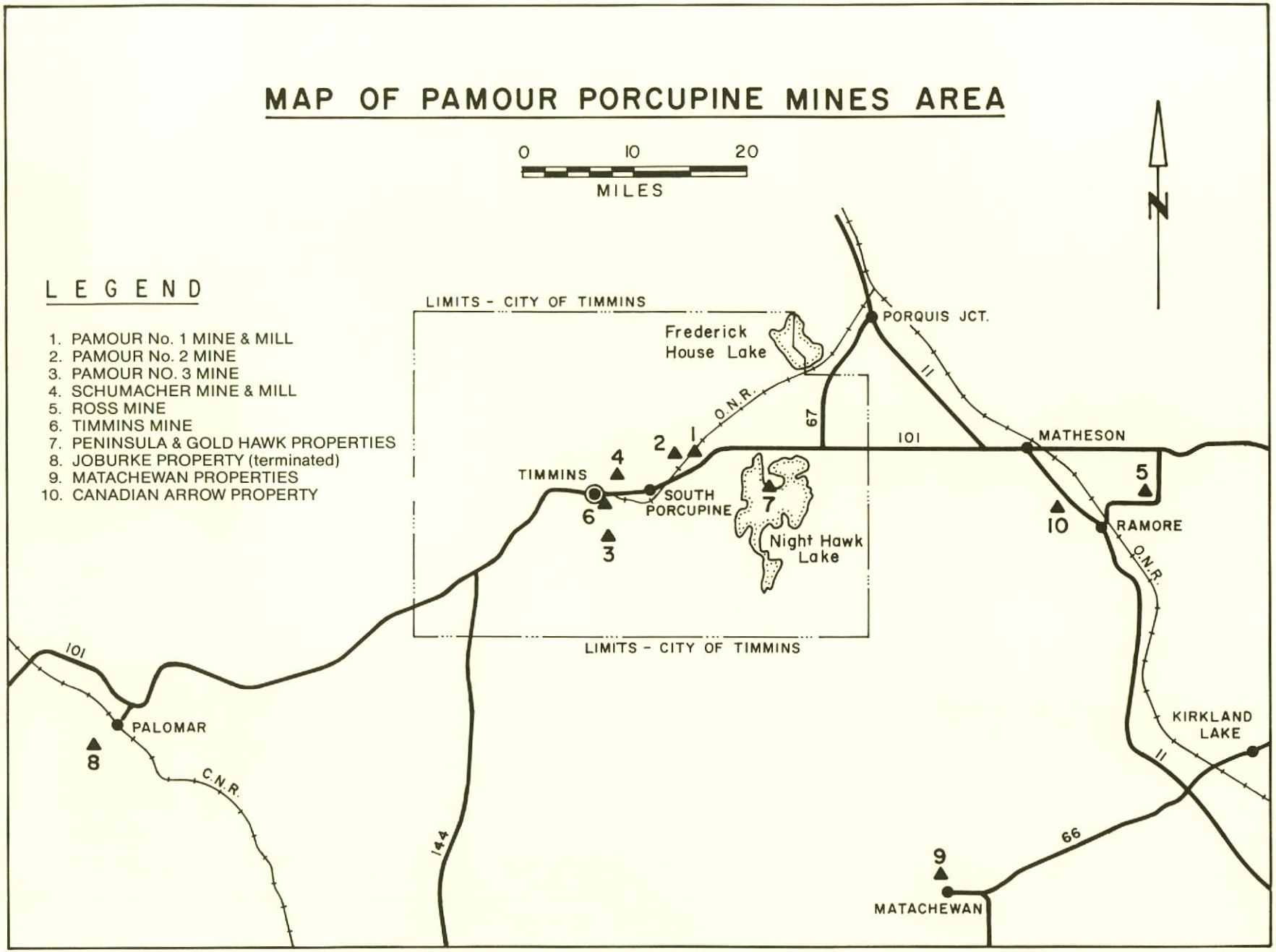
At December 31, 1981, authorized capital expenditures amounted to approximately $4,538,000.


MURPHY TWP.
HOYLE TWP.
TISDALE TWP.
PAMOUR
No. 1 & 2
SCHUMACHER
DIVISION
O.N.R.
101
CODY
TWP.
CITY OF
TIMMINS
DOME MINES
Porcupine Lake
WHITNEY TWP.
PAMOUR
No. 3
DELORO TWP.
PORCUPINE AREA
0 MILES 2
PROPERTY OWNED BY PAMOUR
PROPERTY LEASED BY PAMOUR


MATHESON TWP.
GERMAN TWP.
565
NEW SHAFT
ASARCO
CODY TWP.
MACKLEM
TWP.
PORCUPINE PENINSULA
Night Hawk
Lake
CARMAN TWP.
THOMAS TWP.
NIGHT HAWK LAKE AREA
0 MILES 2


MATHESON
BEATTY TWP.
MATHESON AREA
0 MILES 2
BOWMAN
O.N.R.
11
HISLOP TWP.
ROSS DIV.
N
FEATHERBY
OPTION
572
HOLTYRE
TWP.
YOUNG-
DAVIDSON
CAN. ARROW
PLAYFAIR TWP.
RAMORE

MAP OF PAMOUR PORCUPINE MINES AREA



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